

## **Draft Updated 2/25 --- Steps 1 and 3 of HB 20-1366 Funding Formula**

HB20-1366 states that prior to calculating performance funding recommendations, the Commission, in conjunction with the department and in collaboration with the Governing Boards, may recommend an additional amount of funding for Step 1.

HB 20-1366 states that step 1 is for base building funding to support progress toward Master Plan goals, which may include addressing base funding disparities or funding priorities not addressed through the performance funding metrics. The bill states that the Commission should focus its funding recommendations on broad institutional, systemwide, or state policy goals. Step 1 can also be used to address a school's additional cost to serve resident, first-generation undergraduate students.

HB 20-1366 states that after calculating funding recommendations for steps 1 and 2, the Commission, in conjunction with the Governing Boards, may recommend an additional amount of temporary funding to address goals in the systemwide master planning process, or other areas identified by CCHE. Furthermore, it states that additional funding received in step 3 must be allocated for a specified period of time, is not ongoing base funding and is not included in subsequent state fiscal years or in the calculation of the total state appropriation.

A majority of governing boards believe that any funding through steps 1 and 3 should be in addition to funding provided in step 2 to cover, at a minimum, the base cost increases of institutions.

### Process for the CCHE to make funding recommendations using steps 1 and 3.

There was general consensus at the 2/16 CFO meeting regarding the following process for which steps 1 and 3 could be used by the CCHE to make its annual funding recommendations, consistent with HB 20-1366.

- The CCHE will establish a policy goal(s) by May,<sup>1</sup> in collaboration with the Department and Governing Boards, for its funding recommendation to the legislature and Governor's office.
- Funding would be distributed to all Governing Boards in steps 1 or 3 to meet the policy goal(s).
- The amount of recommended funding, and the mechanism for distributing the funding to all institutions, would depend on the policy goal(s). The overall funding amount and distribution methodology will be established in advance of Commission budget request approval and developed in collaboration with the Department and Governing Boards.
- Under certain circumstances, the Commission, in collaboration with the Department and Governing Boards, may decide to recommend funding in steps 1 and/or 3 only to selected Governing Boards to meet certain goals or priorities. The methodology for determining which Governing Boards would be recommended for additional funding would depend on the circumstances and would be established in collaboration with the Department and Governing Boards. The methodology could involve an application process. If used, the application process and criteria for award would be developed in collaboration with the Department and Governing Boards.

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<sup>1</sup> The policy goal(s) may need to be established earlier than May in future years, e.g., March, in order to meet the Governor's office budget schedule.